



MANAGED FUNDS
ASSOCIATION

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News Release

FOR IMMEDIATE RELEASE
SEPTEMBER 28, 2015

MFA Updates Equity Market Structure Recommendations, Urges Regulators to Conduct Regular Data-Driven Volatility Control Reviews *Publishes chart highlighting actions taken or needed by regulators*

WASHINGTON – Managed Funds Association (MFA) today updated its equity market structure recommendations with the Securities and Exchange Commission (SEC) and other regulators. MFA's recommendations would help improve critical market infrastructure, reduce operational risk, improve the overall quality of the U.S. equity markets and strengthen investor confidence through greater disclosure and transparency.

MFA also urged regulators to consider conducting regular data-driven reviews of parameters for market volatility controls; to develop and implement contingency plans and interim processes with respect to closing auctions and other technical outages; and to enhance order handling and trading data transparency and accuracy so that investors are equipped to make more informed decisions.

“Reforms to equity markets should be data-driven, unbiased and systematic,” said Richard H. Baker, MFA President and CEO. “Efficiently and effectively raising capital for businesses and providing risk-based returns for investors is the most basic function of financial markets. These recommendations will help reduce operational risk and strengthen investor confidences and safeguards – while building on the success of recent reforms undertaken by the SEC.”

To read MFA's most recent recommendations and view the regulatory chart, [CLICK HERE](#).

MFA's recent recommendations focus on the following areas:

- **Market Data**

Market data has become critical to today's markets. Technical glitches or data latency have the ability to disrupt, and even halt, trading in markets. While MFA and its members are pleased that upgrades have been made with respect to the Securities Information Processors (SIPs), MFA remains concerned with the timeliness and the cost of market data. MFA recommends that the SEC and the SEC Equity Market Structure Advisory Committee conduct a more in-depth examination of SIPs and market data, including the governance of the SIPs.

- **Closing Auctions and Contingency Plans**

The July 8, 2015, New York Stock Exchange trading halt highlighted the resilience of the equity market structure, but also demonstrated the need for better contingency plans. MFA recommends that exchanges develop plans and processes to address unexpected trading halts and other unexpected but foreseeable events.

- **Addressing Market Volatility**

MFA has supported the use of market-wide circuit breakers and price collars, such as the limit up-limit down mechanism, to address extreme market volatility. It is important to review and reexamine whether circuit breakers and price collars are set at optimal market parameters, particularly in light of recent volatility at the open and close of markets and the rapid growth in volume of exchange-traded funds. MFA recommends that regulators conduct, on a regular basis, a data-driven review of the parameters used to set circuit breakers and price collars, including back-tests of these parameters against real-world market experiences; and to amend the parameters, as appropriate.

- **Increasing Broker Routing Disclosures and Trading Venue Transparency**

On October 24, 2014, the Investment Company Institute, the Securities Industry and Financial Markets Association, and MFA jointly submitted to the SEC recommendations for increasing the minimum-level order routing disclosure and execution quality information broker-dealers should provide, upon request, to institutional



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investors. MFA continues to support greater broker routing disclosures to investors. MFA appreciates regulatory initiatives aimed at improving trading venue transparency and recommends greater transparency regarding alternative trading system or dark pool operations.

About Managed Funds Association

Managed Funds Association (MFA) represents the global alternative investment industry and its investors by advocating for sound industry practices and public policies that foster efficient, transparent, and fair capital markets. MFA, based in Washington, DC, is an advocacy, education, and communications organization established to enable hedge fund and managed futures firms in the alternative investment industry to participate in public policy discourse, share best practices and learn from peers, and communicate the industry's contributions to the global economy. MFA members help pension plans, university endowments, charitable organizations, qualified individuals and other institutional investors to diversify their investments, manage risk, and generate attractive returns. MFA has cultivated a global membership and actively engages with regulators and policy makers in Asia, Europe, the Americas, Australia and all other regions where MFA members are market participants.

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